



CITY OF SAN DIEGO



The Committee on Rules, Open Government and
Intergovernmental Relations

City of San Diego

Funds Commission Update

March 21, 2012

David Walters, Funds Commission Chair
Michael Laven, Canterbury Consulting



Agenda

- Funds Commission
- Individual Funds Review
- Investment Performance
- Mt. Hope Cemetery Perpetuity Fund
 - Investment Strategy
 - Analysis and Projections



Funds Commission

- City Charter §41(a)
- Supervision and control over all trust, perpetuity and investment funds
- Five Commissioners – one bank official, two citizens, City Attorney and City Treasurer, ex officio
- Six trust funds – each with individual investment policies



Edwin A. Benjamin Library Memorial Fund (1964)

- Established to improve library resources and services through the purchase of books and materials, building construction and improvement and other library expenses
- Long term investment strategy incorporating capital appreciation and income
- Asset allocation target 65% stocks/35% bonds



Effie E. Sergeant Memorial Fund (1994)

- Established by Chloie B. Sergeant, in memory of her mother, to be used for enhancements to the **North Park Branch Library**
- Long term investment strategy incorporating capital appreciation and income
- Asset allocation target 65% stocks/35% bonds



Los Penasquitos Canyon Preserve Fund (1996)

- Result of land exchange in 1986
- Approximately \$1 million set aside for maintenance and enhancement of Preserve
- Long term investment strategy incorporating capital appreciation and income
- Asset allocation target 65% stocks/35% bonds



Gladys Edna Peters Memorial Fund (1997)

- To be used exclusively for procurement and maintenance of large print books and magazines, and related equipment and supplies, for the **Rancho Bernardo Branch Library**
- Long term investment strategy incorporating capital appreciation and income
- Asset allocation target 65% stocks/35% bonds



Jane Cameron Library Fund (2009)

- To be used exclusively for the expansion or improvement of the **La Jolla/Riford Branch Library**, or the improvement or maintenance of its collection
- Long term investment strategy incorporating capital appreciation and income
- Asset allocation target 65% stocks/35% bonds



Mt. Hope Cemetery Perpetuity Fund

- Charter §55 – Preservation of all public burial grounds and cemeteries
- 20% of grave sales deposited into fund
- Income requirement drives asset allocation toward emphasis on bonds and dividend-paying stocks
- Target allocation 65% bonds/35% stocks



Investment Performance

As of February 29, 2012

	Allocation	Performance(%)						
	Market Value (\$)	1 Month	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
Pensaquitos - Composite	2,695,573	2.9	7.4	1.3	18.3	3.8	5.3	6.1
Pensaquitos - Policy Index		3.1	6.6	4.0	18.3	2.8	4.8	5.5
Benjamin Composite	995,322	2.8	7.2	1.1	16.5	3.9	5.4	6.0
Benjamin - Policy Index		3.1	6.6	4.0	18.3	2.8	4.8	5.5
Sergeant - Composite	480,366	2.9	7.4	1.3	18.1	3.9	5.2	6.1
Sergeant - Policy Index		3.1	6.6	4.0	18.3	2.8	4.8	5.5
Peters - Composite	346,534	2.9	7.4	1.3	18.2	3.9	5.3	6.1
Peters - Policy Index		3.1	6.6	4.0	18.3	2.8	4.8	5.5
Cameron Composite	3,262,248	2.8	7.2	1.1	N/A	N/A	N/A	N/A
Cameron - Policy Index		3.1	6.6	4.0	18.3	2.8	4.8	5.5
Cemetery Fund Composite	10,187,183	1.4	3.8	5.8	10.8	2.4	3.6	3.9
Cemetery - Policy Index		1.6	3.9	6.3	13.4	4.7	5.4	5.7

The Policy Index consists of 45% S&P 500 / 20% MSCI EAFE / 35% Barclays Capital Aggregate ,with the exception of the Cemetery Fund which has a Policy Index consisting of 25% S&P 500 / 10% MSCI EAFE / 65% Barclays Capital Aggregate. Performance is net of Manager fees.



Investment Performance

Calendar Year Performance

	Allocation	Performance(%)				
	Market Value (\$)	2011	2010	2009	2008	2007
Pensaquitos - Composite	2,695,573	(1.8)	14.7	22.8	(23.4)	7.0
Pensaquitos - Policy Index		1.4	11.2	20.5	(25.5)	7.3
Benjamin Composite	995,322	(2.0)	14.4	20.0	(21.5)	8.2
Benjamin - Policy Index		1.4	11.2	20.5	(25.5)	7.3
Sergeant - Composite	480,366	(1.8)	14.7	22.7	(23.0)	7.0
Sergeant - Policy Index		1.4	11.2	20.5	(25.5)	7.3
Peters - Composite	346,534	(1.8)	14.7	23.0	(23.2)	6.9
Peters - Policy Index		1.4	11.2	20.5	(25.5)	7.3
Cameron Composite	3,262,248	(2.0)	14.8	N/A	N/A	N/A
Cameron - Policy Index		1.4	11.2	20.5	(25.5)	7.3
Cemetery Fund Composite	10,187,183	4.5	7.2	9.3	(15.2)	4.8
Cemetery - Policy Index		4.6	9.3	13.8	(12.3)	7.1

The Policy Index consists of 45% S&P 500 / 20% MSCI EAFE / 35% Barclays Capital Aggregate ,with the exception of the Cemetery Fund which has a Policy Index consisting of 25% S&P 500 / 10% MSCI EAFE / 65% Barclays Capital Aggregate.

Performance is net of Manager fees.



Mt. Hope Cemetery Perpetuity Fund Investment Policy

Domestic Equities

International Equities

Fixed Income

Cash Equivalents

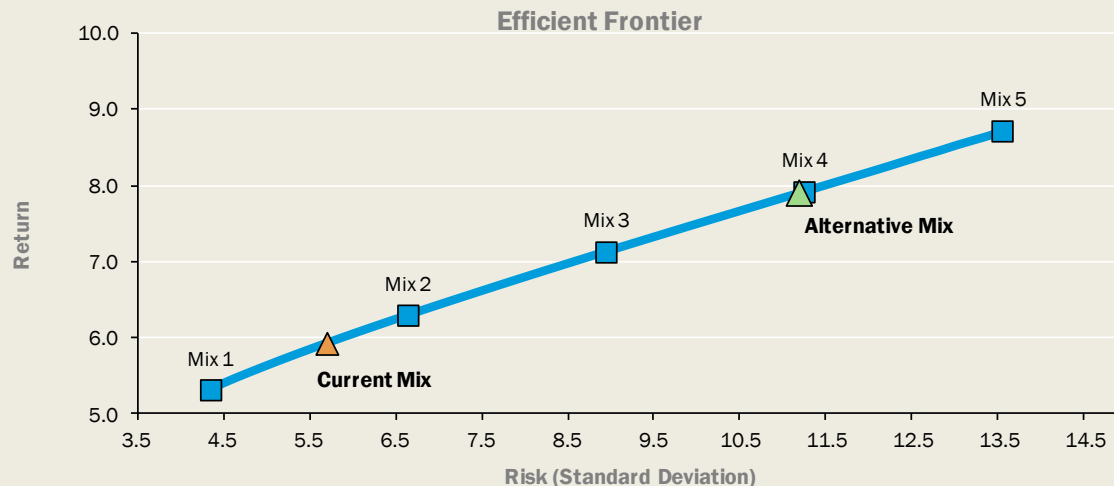
Minimum %	Maximum %	Target %
15	50	25
5	20	10
50	80	65
0	10	0



Mt. Hope Cemetery Perpetuity Fund

Asset Allocation Results: The Efficient Frontier

- The graph below shows the risk/return characteristics of different portfolio mixes. The line or "curve" represents a continuum of portfolios that are "optimal" or "efficient" given the assets under consideration. They represent portfolios that are expected to produce the most amount of return for each level of risk.
- The proposed mixes in the graph represent various asset allocations. The "Present" mix represents the current allocation of the portfolio. Mixes 1 - 5 are on the efficient frontier, as they represent "optimal" portfolios given the scenario assumptions and holding constraints.
- The Sharpe Ratio is a measure of the amount of return expected for each unit of expected risk or volatility. The actual calculation is the Return-T-Bills Return (or Inflation) divided by the Standard Deviation.



Asset Class	Current Mix	Alternative Mix	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
Large Cap Equity	26.0	25.0	15.0	17.8	22.8	26.3	30.0
Small/Mid Cap Equity	2.0	20.0	0.0	7.8	12.5	17.1	35.0
International Equity	7.0	20.0	10.0	14.3	18.0	22.7	10.0
Fixed Income	60.0	35.0	70.0	59.1	46.1	33.5	25.0
Cash	5.0	0.0	5.0	1.1	0.6	0.5	0.0
Average Return	5.93	7.91	5.32	6.30	7.13	7.92	8.72
Annualized Return	5.78	7.34	5.23	6.09	6.76	7.34	7.89
Std Deviation	5.70	11.18	4.35	6.64	8.94	11.24	13.54
Yield	2.53	2.25	2.66	2.55	2.41	2.26	2.00
Sharpe Ratio	0.44	0.40	0.44	0.44	0.42	0.40	0.39



Questions?